



IRISH LIFE WEEKLY INVESTMENT BULLETIN

The week that was – WEEK 21 (ending 20/05/2016)

" When inspiration does not come to me, I go halfway to meet it." – Sigmund Freud

Moody's hike Ireland back to an 'A' grade – In a belated move, Moody's finally raised Ireland back to 'A' status - by one notch to A3 from Baa1. All of the other agencies had already placed Ireland on an A grade, although Moody's usually carries more weight than its peers. They assess the outlook for Ireland as 'positive'.

'Brexit' remain campaign races into record 18-point lead in poll – A new poll by Ipsos MORI shows a 55% to 37% margin to remain in EU and is the biggest lead recorded in the referendum campaign so far. William Hill and Ladbrokes are now offering odds that imply the chances of a 'Brexit' exit victory are only around 20%.

IMF propose debt relief package for Greece – The International Monetary Fund proposed a debt relief plan for Greece which includes demands that Europe free Greece from all payments on its bailout loans until 2040. Germany is leading the pressure to dilute the concessions so some compromises are expected to get a deal.

Global stock market up during the week – Markets moved higher over the last week, with the MSCI AC World Index up 0.4% from 13th May to 20th May in local currency terms. The Japanese Nikkei was best with a 2% rise whereas the Emerging Markets area (MSCI) was down 0.4%. The Irish stock market was up 1.8%.

U.S. inflation and industrial production surprise on the upside – The Consumer Price Index rose 0.4%, the strongest monthly reading in more than three years and industrial production rose a healthy 0.7% in April, led by utilities output. This data dovetails with confident sentiments expressed in the April Fed meeting below.

U.S. Fed surprise markets with June rate rise expectation – The release of the following minutes of the April Federal Reserve meeting was sharply at odds with the expectations of investors. "It likely would be appropriate" to raise rates in June if the economy shows clear signs of a rebound, which caused surprise.

The Story of the week: Imbibers from South Korea, who are Asia's biggest per capita alcohol consumers, can now soothe themselves after a big night out with the world's first hangover-fighting ice cream, the Gyeongdo-bar, which translates as "hang in there". It hit the shelves on Friday. South Koreans drink 12.3 liters of alcohol per year.

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Index Performances and Market Data*

| Equity Markets % (in Local Currency) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 YTD (to 20/05) |
|---|-------------|-------------|-------------|-------------|-------------|----------------------------|
| ISEQ Overall Return | 2.6 | 20.5 | 35.8 | 16.8 | 33.6 | -6.2 |
| FTSE 100 TR | -2.2 | 10.0 | 18.7 | 0.7 | -1.3 | 0.6 |
| Euro Stoxx 50 TR | -14.1 | 18.1 | 21.5 | 4.0 | 6.4 | -7.8 |
| S&P 500 TR | 2.1 | 16.0 | 32.4 | 13.7 | 1.4 | 1.3 |
| Nasdaq Composite | -1.8 | 15.9 | 38.3 | 13.4 | 5.7 | -4.8 |
| Nikkei 225 | -17.3 | 22.9 | 56.7 | 7.1 | 9.1 | -12.1 |
| MSCI Emerging Markets | -14.9 | 13.9 | 0.9 | 2.6 | -8.0 | -1.7 |
| MSCI World | -7.6 | 13.1 | 26.2 | 7.7 | 0.2 | -2.6 |
| Sovereign 10yr Bond Yields (%) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 YTD |
| U.S. | 1.9 | 1.7 | 3.0 | 2.2 | 2.2 | 1.8 |
| German | 1.8 | 1.4 | 1.9 | 0.5 | 0.6 | 0.2 |
| UK | 2.0 | 1.9 | 3.0 | 1.9 | 1.9 | 1.4 |
| Japan | 1.0 | 0.7 | 0.7 | 0.3 | 0.2 | -0.1 |
| Ireland | 8.4 | 4.5 | 3.4 | 1.3 | 1.1 | 0.8 |
| Italy | 7.1 | 4.6 | 4.1 | 2.1 | 1.6 | 1.5 |
| Greece | 31.7 | 12.7 | 8.2 | 9.6 | 7.9 | 7.3 |
| Portugal | 13.4 | 6.9 | 6.1 | 2.7 | 2.5 | 3.1 |
| Spain | 5.1 | 5.4 | 4.1 | 1.6 | 1.7 | 1.6 |
| Central Bank Rates (%) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 YTD |
| ECB | 1 | 0.75 | 0.25 | 0.05 | 0.05 | 0.0 |
| Bank of England | 0.5 | 0.5 | 0.25 | 0.50 | 0.50 | 0.50 |
| U.S. Federal Reserve | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 |
| Foreign Exchange Rates | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 YTD |
| Euro/Dollar (€/\$) | 1.30 | 1.31 | 1.37 | 1.21 | 1.09 | 1.12 |
| Euro/Sterling (€/£) | 0.83 | 0.81 | 0.83 | 0.78 | 0.75 | 0.77 |
| Sterling/Dollar (£/\$) | 1.55 | 1.61 | 1.65 | 1.56 | 1.46 | 1.45 |
| IPD All Property Return (%) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Ireland | -2.4 | 3.1 | 12.7 | 40.1 | 25.0 | 2.9 (to end of Q1) |
| U.K. | 8.1 | 2.7 | 10.7 | 17.8 | 13.1 | 1.1 (to end of Q1) |
| U.S. | 14.5 | 5.3 | 11.4 | 11.2 | 12.1 | 2.1 (to end of Q1) |

*Past performance is not a reliable guide to future performance